



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

exports ranged between \$422,000,000 and \$680,000,000. For the fiscal years ending June 20, 1908, 1909, and 1910, the excess of exports was \$680,000,000, \$363,000,000 and \$198,000,000, respectively. During the period 1911-14 the annual excess of exports ranged between \$495,000,000 and \$683,000,000. Thus the panic of 1907 was followed by a diminution in the excess of merchandise exports, but there was a recovery to normal figures in 1911. The diminution resulted not because of a decrease of exports but rather from an increase of imports. The decrease in the balance of merchandise exports came about in spite of the fact that the United States was a debtor on the international balance sheet to the amount of about half a billion dollars per year. In 1906, 1907, and 1908, however, there was a net inward movement of gold of 57.6, 63.1, and 75.9 millions, while in 1909 and 1910 the net outward movement was 47.5 and 75.2 millions respectively.

The present situation of the United States in regard to foreign trade is quite different from that of 1906-07. The present annual balance of indebtedness on invisible items, except loans, is about \$195,000,000.¹ The continuance of the excess of exports depends upon the granting of loans to Europe and at the present writing it does not appear that the United States will advance a large volume of capital either by the extension of credits or the purchase of foreign held securities. Individual investors in the United States have not yet been educated to the purchase of foreign securities in any considerable volume and it is not probable that further advances will be made by the government. The Edge law provides the machinery for making foreign loans, but it yet remains to be seen to what extent American bankers and investors will use that machinery. It is highly improbable that the recent annual excess of exports, amounting to over three billion dollars in the calendar year 1918 and to over four billion dollars in 1919, will be matched in 1920.

We may say in passing that the decline in foreign rates of exchange which took place in 1919 cannot be ascribed primarily to the excess in exports. It is due rather to the great currency expansion and increase of prices which have taken place in European countries since the signing of the armistice.² So long as the expansion of currency and the increase of prices are more rapid in European countries than in the United States, foreign rates of exchange may reasonably be expected to decline. The minor fluctuations of the rates are, of course, intimately connected with the fluctuations in merchandise imports and exports and the balance of international payments. It is the *instability* of exchange rates resulting from both causes, rather than the precise level of rates that is disturbing to international trade.

¹ See THE REVIEW OF ECONOMIC STATISTICS for July, 1919, p. 253.

² See "The Depreciation of the German Mark" by G. Cassel, "The Deviation of Exchanges" by E. C. Van Dorp, and "Official Figures Relating to Inflation," published in the *Economic Journal*, December, 1919, pp. 492-506.

³ Monthly figures since January 1919 are given in the accompanying table. For monthly data 1903-18, see THE REVIEW OF ECONOMIC STATISTICS, at pages shown in the table on p. 8 of the December SUPPLEMENT.

The increase of imports from European countries and the decrease of exports would probably make for a serious depression in a number of our industries if there was not a considerable potential domestic market. If a recession of prices occurs, it is probable that railroads and other public utilities of the United States will again enter the market for steel rails and other commodities.

The conclusions concerning the present situation which we have drawn from our statistical analysis, supported by the preceding economic analysis, will be found in the opening paragraphs on page 29 of this REVIEW.

III. THE THREE GROUPS OF SERIES

During January none of the three groups of series exhibited any new developments that call for special consideration at this time. It may be stated, however, that pig-iron production and unfilled orders of the United States Steel Corporation are rapidly coming back to normal. The series included in each group remain the same as in 1919 and may be found on pages 4-6 of the December SUPPLEMENT.

During 1919, in order that our readers might follow in all its details the movement of our index of business conditions, we have published from month to month charts showing each of the three groups of series entering into the index. Hereafter we shall not publish these charts oftener than twice a year unless it happens that there is some unusual development which makes their presentation desirable. Every six months, therefore, our readers may expect to receive all the details concerning the construction of our index. We shall, however, publish monthly in our APPENDIX OF CURRENT STATISTICS the "corrected items of various series of business statistics" and other material of interest to technical readers. By this arrangement we shall be able to eliminate from our text those statistical data which have little interest for the average reader.

IV. THE INDIVIDUAL SERIES³

(A) THE SPECULATIVE GROUP

New York bank clearings decreased to \$23,210,000,000 in January from \$23,980,000,000 in December. Usually January clearings run 6 per cent over those for December, February runs 22 per cent under January, and March 11 per cent over February.

The average price of twenty industrial stocks for January was \$104.60 compared with \$105.60 for December, and \$110.80 for November. During November the average price decreased from the high record of \$119.62 on November 3 to \$103.60 on November 29. The lowest point reached in the decline last summer was \$98.46 on August 20. There was a strong upward movement between February and July, when the average increased from \$82.40 to \$109.70. During the first half of February 1920 the minimum reached was \$90.66 on the 11th.

The average for the year 1919 was \$99.70 compared with \$81.00, \$87.70, \$94.80, and \$74.30 for 1918, 1917, 1916, and 1915, respectively.

The average price of twenty railroad stocks was \$74.90 in January compared with \$75.20 in December and \$79.60 in November. During the period from May 26 to December 12, 1919, there was a decline from \$91.13 to \$73.63. The low point reached in the panic of November 1907 was \$84.20. We have to go back to 1898 to get a lower monthly average than the quotations ruling at the present time.

The average for the year 1919 was \$83.30, the same as that for 1918, compared with \$91.30 in 1917, and \$105.40 in 1916.

The number of shares sold on the New York Stock Exchange during January was 19,880,000 compared with 24,850,000 in December and 37,350,000 in October, the last named figure being the highest record since January 1906 when 38,510,000 shares were sold.

The average yield on ten American railroad bonds in January was 5.51 per cent, compared with 5.56 per cent in December, the highest on record following a steady increase in yield since October.

There has been a fairly constant increase in yields since 1902, when the average was 3.78 per cent. The period of increasing commodity prices for the last twenty years has been a period of decreasing bond prices.

Dow, Jones and Company's combined index for the average price of forty corporation bonds, including high and second grade railroad, public utility, and industrial issues, increased to 64.18 in January, compared with 63.38 in December and 65.23 in November. The December figure was the lowest one on record. All classes of bonds advanced in price, the advance being in part due to repurchases by investors who had sold in December to register losses for income tax purposes.

The indices for the four classes of bonds for January 1920 and December 1919, respectively, are as follows:

	January	December
Highest grade rails	74.63	73.59
Second grade rails	61.78	60.73
Public utility	55.80	55.08
Industrial	67.50	67.13

The value of building permits issued for twenty leading cities was \$69,600,000 for January compared with \$85,200,000 for December, and \$85,200,000 for November. January figures are usually about 10 per cent under those for December. The spring revival begins in February with a 5 per cent increase over January and continues through March and April, which normally show increases of 68 per cent and 11 per cent over the preceding months.

(B) THE BUSINESS GROUP

Bank clearings of the United States outside New York City for January were \$18,390,000,000, the greatest total reported for any month, compared with \$18,380,000,000 for December. January clearings usually run 1 or 2 per cent over those for December, and February is usually 16 per cent under January.

Bradstreet's index of commodity prices was \$20.87 on February 1, a new high record. There has been a steady increase in the index from September 1, on which date the figure was \$19.47. The only recession since May was that from the previous high record of \$20 in August to the September figure just quoted. Bradstreet's for February 14, 1920 says: "Touching upon the reasons for the aggressive strength in prices in January, it might be observed that raw and manufactured textiles, especially cotton goods, were mainly responsible for this new rise. This group, indeed, furnishes about the entire amount of the advance registered in January, because prices at wholesale of foods, chiefly

ACTUAL ITEMS OF FUNDAMENTAL SERIES OF BUSINESS STATISTICS, 1919-20 *

	GROUP A												GROUP B					
	New York clearings (Units of \$10,000,000)		Price of industrial stocks † (Units of \$1)		Shares traded (Units of 10,000 shares)		Building permits (Units of \$100,000)		Yield on ten railroad bonds (Units of one per cent)		Price of twenty railroad stocks † (Units of \$1)		Outside clearings (Units of \$10,000,000)		Bradstreet's prices * (Units of \$1)		Bureau of Labor prices ‡ (Units of one per cent)	
	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920
January	1786	2321	81.6	104.6	1186	1988	134	696	5.13	5.51	82.8	74.9	1456	1839	18.53	20.87	203	248
February	1419	...	82.4	...	1221	...	207	...	5.24	...	83.1	...	1160	...	17.63	...	197	...
March	1649	...	86.5	...	2140	...	328	...	5.29	...	84.3	...	1359	...	17.22	...	201	...
April	1733	...	91.2	...	2859	...	495	...	5.31	...	84.6	...	1326	...	17.28	...	203	...
May	1888	...	99.4	...	3441	...	640	...	5.26	...	88.4	...	1428	...	17.24	...	207	...
June	1975	...	103.6	...	3286	...	778	...	5.24	...	88.7	...	1449	...	18.09	...	207	...
July	2188	...	109.7	...	3450	...	759	...	5.33	...	88.3	...	1562	...	18.90	...	218	...
August	1953	...	103.2	...	2443	...	954	...	5.47	...	82.6	...	1516	...	20.00	...	226	...
September	1961	...	108.2	...	2414	...	839	...	5.54	...	80.4	...	1596	...	19.47	...	220	...
October	2371	...	113.9	...	3735	...	862	...	5.42	...	81.4	...	1806	...	19.52	...	223	...
November	2259	...	110.8	...	3017	...	853	...	5.54	...	79.6	...	1672	...	19.90	...	230	...
December	2398	...	105.6	...	2485	...	852	...	5.56	...	75.2	...	1838	...	20.18	...	238	...

* Data are monthly averages or aggregates except for two series: *Bradstreet's prices* relate to the first day of the month, and *Unfilled orders of the United States Steel Corporation* to the last day of the month.

† Beginning with November, these prices are computed by taking the mean of the daily averages, rather than by taking the mean of the high and the low average for the month, as formerly.

‡ Base, 1913.

provisions and live stock, hides and leather, and miscellaneous products declined as much as breadstuffs, fruits, metals, oils, naval stores, building materials, and chemicals and drugs advanced, leaving textiles to turn the scale upward by the sum of the advances in that group."

The Bureau of Labor index of wholesale prices stood at 248 in January, the highest point ever reached, compared with 238 in December, and 230 in November. An increase occurred in every group of commodities, that for house-furnishing goods, food, cloths and clothing, and lumber and building material, however, being the most pronounced. Further data are given in the Appendix (VII-2).

Bradstreet's number of business failures was 511 for January, compared with 488 for December, an increase of 5 per cent. Usually January failures run 20 per cent over those for December, but there is a marked seasonal decline of 30 per cent in February compared with January. An abnormally small number of business failures have occurred since 1917. Moreover, there has been a steady decrease in the number of failures since January 1915.

The value of imports of merchandise into the United States in January was \$474,000,000 compared with \$381,000,000 in December. The value of *exports* was \$731,000,000, an increase of 7 per cent from December. The favorable trade balance for January was \$257,000,000. Since the value of imports, however, is officially computed by converting foreign quotations at par, the actual dollar value of imports is undoubtedly less and the trade balance is more than the figures given. As yet there is no indication in the monthly figures of a consistent decline in exports or in the favorable trade balance.

During the year 1919 the balance of trade in favor of

the United States was \$4,017 million compared with \$3,118 million in 1918.

The tonnage of pig iron produced in the United States in January was 3,015,000 tons, compared with 2,633,000 tons in December. There has been a steady increase since October when the strike occurred. The present rate of production should increase by 15 per cent if we are to reach the monthly production figures of 1918.

Usually the production in January is the same as that in December, and February is 4 per cent less than January, with March 14 per cent above February.

Unfilled orders of the United States Steel Corporation on January 31, 1920 were 9,290,000 tons compared with 8,270,000 on December 31. There has been a steady increase from the low point of 4,280,000 tons in May. Until June unfilled orders had declined since April 30, 1917 when the record figure of 12,180,000 tons was reached.

(C) THE BANKING GROUP

The average loans, discounts, and investments of all New York Clearing House banks and trust companies for January was \$5,320 million, an increase of about 4 per cent from December. The *average deposits* of the same group of banks for January was \$4,160 million, an increase of about 1 per cent from December. *Loans and discounts* increased steadily from December 1918 except for a slight recession in July and August, to the record figure of \$5,380 million in October 1919. The present increase occurred in spite of the increase in the rates on commercial paper in January. If further increases in the rediscount rate of the federal reserve banks are made, undoubtedly there will be a decided stiffening of rates on commercial paper, which in turn should cause a decrease in loans and deposits.

The rate of interest on four-to-six months commercial paper in New York City averaged 6.06 per cent in

ACTUAL ITEMS OF FUNDAMENTAL SERIES OF BUSINESS STATISTICS, 1919-20 *

	GROUP B								GROUP C									
	Business failures (Bradstreet) (Units of one failure)		Imports (Units of \$100,000)		Production of pig iron (Units of 1,000 tons)		Unfilled orders U. S. S. C.* (Units of 10,000 tons)		Loans, discounts, invest'ts, etc., of New York banks† (Units of \$10,000,000)		Deposits of New York banks† (Units of \$10,000,000)		Rate on four-to- six months paper (Units of one per cent)		Rate on sixty-to- ninety day paper (Units of one per cent)		Dividend payments (Units of \$100,000)	
	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920	1919	1920
January	573	511	2130	4740	3302	3015	668	929	475	532	394	416	5.44	6.06	5.19	6.00	622	656
February	492	...	2352	...	2940	...	601	...	476	...	381	...	5.41	...	5.19	...	409	441
March	485	...	2676	...	3090	...	543	...	485	...	392	...	5.50	...	5.38	...	527	...
April	459	...	2730	...	2478	...	480	...	489	...	400	...	5.50	...	5.38	...	604	...
May	431	...	3289	...	2108	...	428	...	497	...	410	...	5.50	...	5.38	...	283	...
June	421	...	2929	...	2115	...	489	...	502	...	408	...	5.66	...	5.53	...	408	...
July	417	...	3437	...	2429	...	558	...	496	...	406	...	5.55	...	5.42	...	535	...
August	447	...	3073	...	2743	...	611	...	497	...	403	...	5.50	...	5.38	...	436	...
September	426	...	4355	...	2488	...	628	...	517	...	417	...	5.50	...	5.38	...	418	...
October	479	...	4019	...	1864	...	647	...	538	...	420	...	5.50	...	5.38	...	650	...
November	432	...	4249	...	2392	...	713	...	527	...	420	...	5.62	...	5.50	...	341	...
December	488	...	3807	...	2633	...	827	...	518	...	412	...	6.00	...	5.90	...	504	...

* Data are monthly averages or aggregates except for two series: *Bradstreet's prices* relate to the first day of the month, and *Unfilled orders of the United States Steel Corporation* to the last day of the month.

† Clearing House banks, including members of federal reserve banks and state banks and trust companies not in the federal reserve system.

January compared with 6.00 per cent in December and 5.62 per cent in November. In pre-war years there was a pronounced seasonal variation in the fluctuation of rates on commercial paper. During the period of war-financing, however, the Federal Reserve Board has felt obliged to keep a fixed rate of rediscount and hence commercial rates have been artificial. Since the period of government financing has ended the Federal Reserve Board is now free to adjust rates in accordance with the financial situation. Consequently we may expect that the old-time seasonal variations in rates will appear again.

The rate of interest on sixty-to-ninety day commercial paper in New York averaged 6.00 per cent in January

compared with 5.88 per cent in December and 5.50 per cent in November.

In pre-war years the rates of interest on four-to-six months paper and sixty-to-ninety day commercial paper show a seasonal decrease in January and February followed by a rise in March. This year there was an advance in January.

Dividend payments by industrial corporations are announced as \$44,100,000 for February, compared with \$40,900,000, \$44,800,000, and \$45,000,000 for the corresponding months in 1919, 1918, and 1917, respectively. The figure for the present month is greater than that of any February except 1918 and 1917.

W. M. P.